

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Date: February 17, 2017

Contact telephone number:

LEGEND

UIL: 4945.04-04

X= Employer Name
Y= Number
Z= Number

Dear :

You asked for advance approval of your employer-related scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding employer-related scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding employer-related scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in Code section 117(b)).

Description of your request

Your letter indicates you will operate an employer-related scholarship program. You plan to provide educational scholarships to: (i) the children of X (ii) individuals from low-income housing projects in your vocational and life-skills training programs, and (iii) other individuals who meet the eligibility and qualifying requirements.

The purpose of your program is to enable scholarship recipients to obtain an education in their individual capacities for their personal benefit. You will publicize the program in announcements to employees of X, to individuals who participate in your life skills training programs and to the public through the intranet, newsletters, and email blasts. Such

announcements will provide information on the availability of the scholarship grants, solicit applicants, provide information about the application process, and announce the names of grant recipients. These communications will clearly identify you as the grantor of the awards.

Each applicant must be (i) the child of a current officer or employee of X with at least three years of service; (ii) the child of a former officer or employee of X who died while so employed, regardless of the length of service; (iii) an individual participating in your life skills training programs; or (iv) an otherwise deserving and qualifying individual who is selected based on nondiscriminatory factors and who is not related to you or X.

In addition, each applicant must: (1) be a full-time undergraduate or graduate student at an accredited college or university located in the United States which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on; or (ii) provide a copy of a letter of acceptance from such an institution at which the applicant intends to matriculate as a full-time student with respect to an upcoming academic semester or year.

Moreover, an applicant is not eligible for a scholarship grant if he or she cannot reasonably be expected to attend the required educational institution, even if he or she satisfies the minimum eligibility requirements at the time of application. Furthermore, eligibility shall not be related to any other employment-related factors, such as the employee's position or duties, except to the extent, if any, that such duties with respect to you may affect the applicant's status as a disqualified person.

All applicants must complete, sign, and return to you by an established deadline an application, including all supporting reports, transcripts, or other required documents such as letters of recommendation, specified on the application.

The applications will be reviewed and evaluated by your Scholarship Selection Committee and will consist entirely of individuals totally independent and separate from X, you, and those persons who run or help to run your training programming. The Scholarship Selection Committee will be composed of in the range of Y individuals that you select annually. At least Z members will be individuals knowledgeable in the field of education to ensure they have the background and knowledge to properly evaluate and select the applicants.

No member of the Scholarship Selection Committee may be a current or former officer or director of X, a current or former officer or director of X, or any other person who may have such a substantial personal or financial connection with either X, you (other than as a member of the Committee) or the vocational training program provided by you as would reasonably call into question the ability of that person to make independent, objective, and nondiscriminatory decisions relating to the selection of scholarship recipients.

The Scholarship Selection Committee will select recipients solely using objective criteria completely unrelated to the employment by X of the applicant's parent or parents and to

any of your activities. Furthermore, no recipient may be related to any current member of the Scholarship Selection Committee and shall not otherwise be a "disqualified person" with respect to you, as defined by Section 4946 of the Code.

Such criteria will include, but not be limited to, the following:

- (i) Prior academic performance, using the applicant's transcript for the preceding academic year (or such other period specified) or by the receipt of academic awards or prizes;
- (ii) Performance on tests designed to measure ability and aptitude for higher education;
- (iii) Written recommendations from instructors or other individuals not related to the applicant;
- (iv) Financial need, as evidenced by a student financial aid report, a proposed budget showing both educational expenses and all sources of income, and the family circumstances of the applicant (e.g., number of siblings then enrolled or expected to be enrolled at an accredited college or university in the United States during the forthcoming academic year); and
- (v) Conclusions drawn from personal interviews, personal essays written by the applicant, or other sources regarding the applicant's motivation, character, and potential, as evidenced by the applicant's career plans and goals, extracurricular activities, community service or involvement, ability to overcome personal or family adversity, and similar factors.

In those cases where the Scholarship Selection Committee has identified two or more potential recipients of a grant who are, equally qualified for the grant based on the relevant selection criteria, the grant will be awarded in the following descending order of preference:

- (i) An applicant who is the child of an officer or employee of X who died while acting in the course of his or her employment;
- (ii) An applicant who is the child of an officer or employee who died while employed by X;
- (iii) An applicant whose parent or parents have died;
- (iv) An applicant who has not previously received a grant.

The Scholarship Selection Committee will recommend to you the amount of each scholarship using the annual budget for scholarships, based on your current assets and income provided by you. Subject to your Board of Directors' power to authorize the grant amounts, and to verify the eligibility requirements and selection criteria used by the Scholarship Selection Committee in making its selections, only the Scholarship Selection Committee may vary the amounts of the grants awarded.

After receiving the scholarship, the recipient must continue to be enrolled at an educational institution as specified and his or her standing at such educational institution must be consistent with the purposes and conditions of the grant. If a grant is awarded for a period of more than one semester, the grantee must remain in good academic standing

to receive a grant for a subsequent semester, and the Scholarship Selection Committee may require the grantee to pledge that he/she will maintain a minimum grade point average specified at the time of the grant award.

You will contact and confirm, no earlier than five days prior to the disbursement of funds to the recipient's educational institution, that the recipient is enrolled and in good standing at the college or university. No scholarship funds will be disbursed unless: (1) a current, certified copy of the recipient's most recent transcript is provided; and (2) the recipient's status as a student enrolled and in good standing with the college or university is confirmed.

If a grant is awarded for either one semester or academic year and the recipient must reapply for a grant to continue studies for a subsequent semester or academic year, the recipient shall not be considered ineligible for a further grant solely because the recipient's parent is no longer employed by X or because the individual is no longer a participant in your training programs. All standards for renewal of grants awarded to children of employees of shall be based solely upon non-employment-related factors, such as need and maintenance of scholastic standards.

You will pay all scholarship grants directly to the educational institution attended by, or to be attended by, the grant recipient. Under no circumstances will a grant be paid directly to a grant recipient or to an account controlled by the recipient. The educational institution to which a grant is paid on behalf of a recipient shall agree in writing to use the grant funds to defray the recipient's expenses or to pay the funds (or a portion thereof) to the recipient only if the recipient is enrolled at such educational institution and his or her standing at such educational institution is consistent with the purposes and conditions of the grant. Furthermore, the educational institution will agree in writing that in the event the recipient fails to satisfy the criteria with respect to enrollment and standing, the institution shall return to you any portion of the grant not yet expended on behalf of or paid to the recipient by the institution. If the recipient fails to enroll in the college or university or withdraws from the college or university during the time where a reimbursement of tuition and fees is available, any funds paid by you shall be returned to you.

Your program will comply with the seven conditions and either the percentage tests or the facts and circumstances test for scholarships to attend an educational institution as set forth in Rev. Proc. 76-47, 1976-2 C.B. 670, and 80-39, 1980-2 C.B. 722. No grant shall include any commitments, understandings or obligations, conditional or unconditional, suggesting that the studies are undertaken by the recipients for the benefit you or X or have as their objective the accomplishment of any purpose of yours or X other than enabling the recipients to obtain an education in their individual capacities and solely for their personal benefit. The program will also satisfy one of the two alternative percentage tests as provided in Rev. Procs. 76-47 and 80-39. To determine who can be shown to be eligible for grants without submitting an application, you will require the employees of X, whose children may be eligible, to complete an annual questionnaire.

All records pertaining to the review of applications for and award of your scholarships will be maintained for no less than six years. Each year, you will review all materials maintained in these records and complete an annual certification that all scholarship recipients have provided all materials required for the award of funds, and that all scholarship recipients have been certified as eligible to receive scholarship funds. You will designate and require the Chair of your Scholarship Committee to keep and maintain all scholarship applications, certifications, records related to ongoing eligibility of recipients, grade reports of applicants, as well as any and all other materials arising from or related to your scholarship program in a secure and confidential manner, accessible to your Scholarship Committee, Audit Committee, and available for examination upon lawful request.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Revenue Procedure 76-47, 1976-2 C.B. 670, provides guidelines to determine whether grants a private foundation makes under an employer-related program to employees or children of employees are scholarship or fellowship grants subject to the provisions of Code section 117(a). If the program satisfies the seven conditions in sections 4.01 through 4.07 of Revenue Procedure 76-47 and meets the applicable percentage tests described in section 4.08 of Revenue Procedure 76-47, we will assume the grants are subject to the provisions of Code section 117(a).

You represented that your grant program will meet the requirements of either the 25 percent or 10 percent percentage test in Revenue Procedure 76-47. These tests require that:

- The number of grants awarded to employees' children in any year won't exceed 25 percent of the number of employees' children who were eligible for grants, were applicants for grants, and were considered by the selection committee for grants, or
- The number of grants awarded to employees' children in any year won't exceed 10 percent of the number of employees' children who were eligible for grants (whether or not they submitted an application), or

- The number of grants awarded to employees in any year won't exceed 10 percent of the number of employees who were eligible for grants, were applicants for grants, and were considered by the selection committee for grants.

You further represented that you will include only children who meet the eligibility standards described in Revenue Procedure 85-51, 1985-2 C.B. 717, when applying the 10 percent test applicable to employees' children.

In determining how many employee children are eligible for a scholarship under the 10 percent test, a private foundation may include only those children who submit a written statement or who meet your eligibility requirements. They must also satisfy certain enrollment conditions.

You represented that your procedures for awarding grants under this program will meet the requirements of Revenue Procedure 76-47. In particular:

- An independent selection committee whose members are separate from you, your creator, and the employer will select individual grant recipients.
- You will not use grants to recruit employees nor will you end a grant if the employee leaves the employer.
- You will not limit the recipient to a course of study that would particularly benefit you or the employer.

Other conditions that apply to this determination:

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination is in effect as long as your procedures comply with sections 4.01 through 4.07 of Revenue Procedure 76-47 and with either of the percentage tests of section 4.08. If you establish another program covering the same individuals, that program must also meet the percentage test.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at::

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.

- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements